IMPERIAL OIL LIMITED

ANNUAL REPORT 1972

Esso

Imperial Oil Limited Annual Report 1972

Directors

J. A. Armstrong
J. A. Cogan
J. W. Flanagan
J. W. Hamilton
J. H. Hamlin
J. G. Livingstone
R. G. Reid
R. S. Ritchie
W. O. Twaits

Officers

Chairman of the Board and Chief Executive Officer
W. O. Twaits

President
J. A. Armstrong

Senior Vice-Presidents
J. A. Cogan
J. W. Flanagan
J. W. Hamilton
J. H. Hamlin
J. G. Livingstone
R. G. Reid
R. S. Ritchie

Vice-Presidents
W. D. Archbold
D. D. Lougheed
D. H. MacAllan
A. G. Moreton
V. Sirois

General Secretary
G. M. Henderson

Comptroller
G. R. McLellan

Treasurer
D. W. McGibbon

General Counsel
J. F. Barrett, Q.C.

Imperial Oil Limited was incorporated under the Canada Joint Stock Companies Act, 1877 on September 8, 1880. Its head office is at 111 St. Clair Avenue West, Toronto, Ontario, M5W 1K3.

Principal subsidiaries of Imperial are: Atlas Supply Company of Canada Limited, Building Products of Canada Limited, Champlain Oil Products Limited, Home Oil Distributors Limited, Imperial Oil Enterprises Ltd.

Principal investments and percentage interest in other companies are: Interprovincial Pipe Line Company, 33; Trans Mountain Pipe Line Company Ltd., 8.6; Montreal Pipe Line Company Limited, 32; Rainbow Pipe Line Company, Ltd., 33.3; Tecumseh Gas Storage Limited, 50; Syncrude Canada Ltd., 30.

Imperial Oil Limited shares may be transferred at the following offices: head office of Imperial Oil Limited; principal offices of Montreal Trust Company at Halifax, N.S., Montreal, Que., Toronto, Ont., Winnipeg, Man., Regina, Sask., Calgary, Alta., Vancouver, B.C.; Bankers Trust Company, New York, N.Y.

The annual meeting of shareholders will be held at 11:00 a.m., Tuesday, April 24, 1973 in the Canadian Room, Royal York Hotel, Toronto, Ontario.

A furnace rises at the new 140,000-barrel-a-day refinery being built at Strathcona, Alta. (right) At peak of construction, work there will employ 2,000 people

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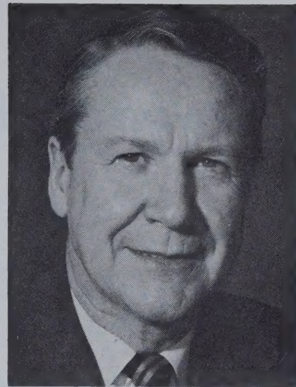
W. O. TWAITS
Chairman and C.E.O.
Director

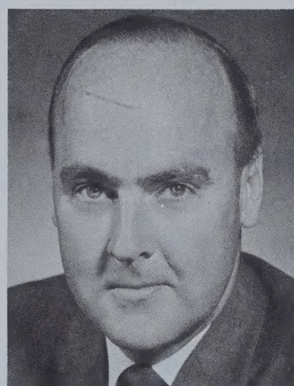


J. A. ARMSTRONG
President
& Director

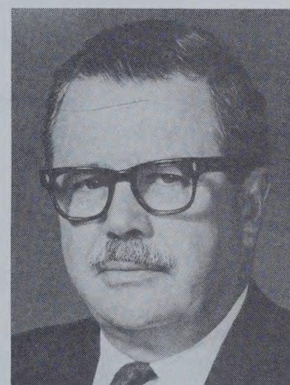
IMPERIAL OIL LIMITED

ANNUAL MEETING OF SHAREHOLDERS

J. A. COGAN
Senior Vice President
& Director

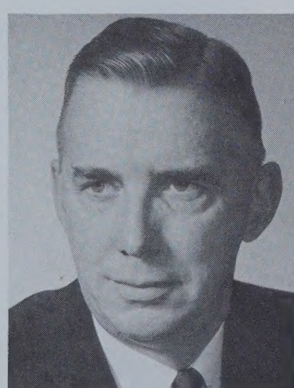


J. W. FLANAGAN
Senior Vice President
& Director

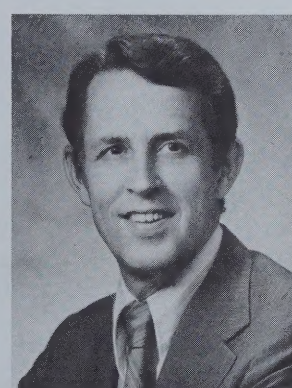


J. W. HAMILTON
Senior Vice President
& Director

J. H. HAMLIN
Senior Vice President
& Director



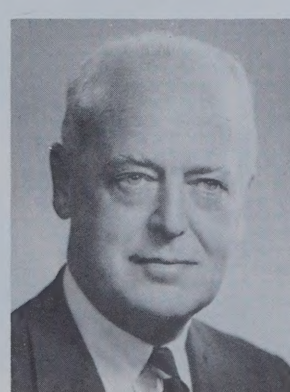
J. G. LIVINGSTONE
Senior Vice President
& Director



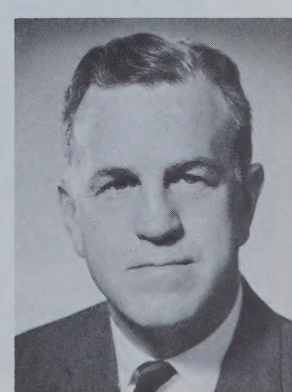
R. G. REID
Senior Vice President
& Director

R. S. RITCHIE
Senior Vice President
& Director

CANADIAN ROOM
ROYAL YORK HOTEL
APRIL 24, 1973



J. F. BARRETT
General Counsel



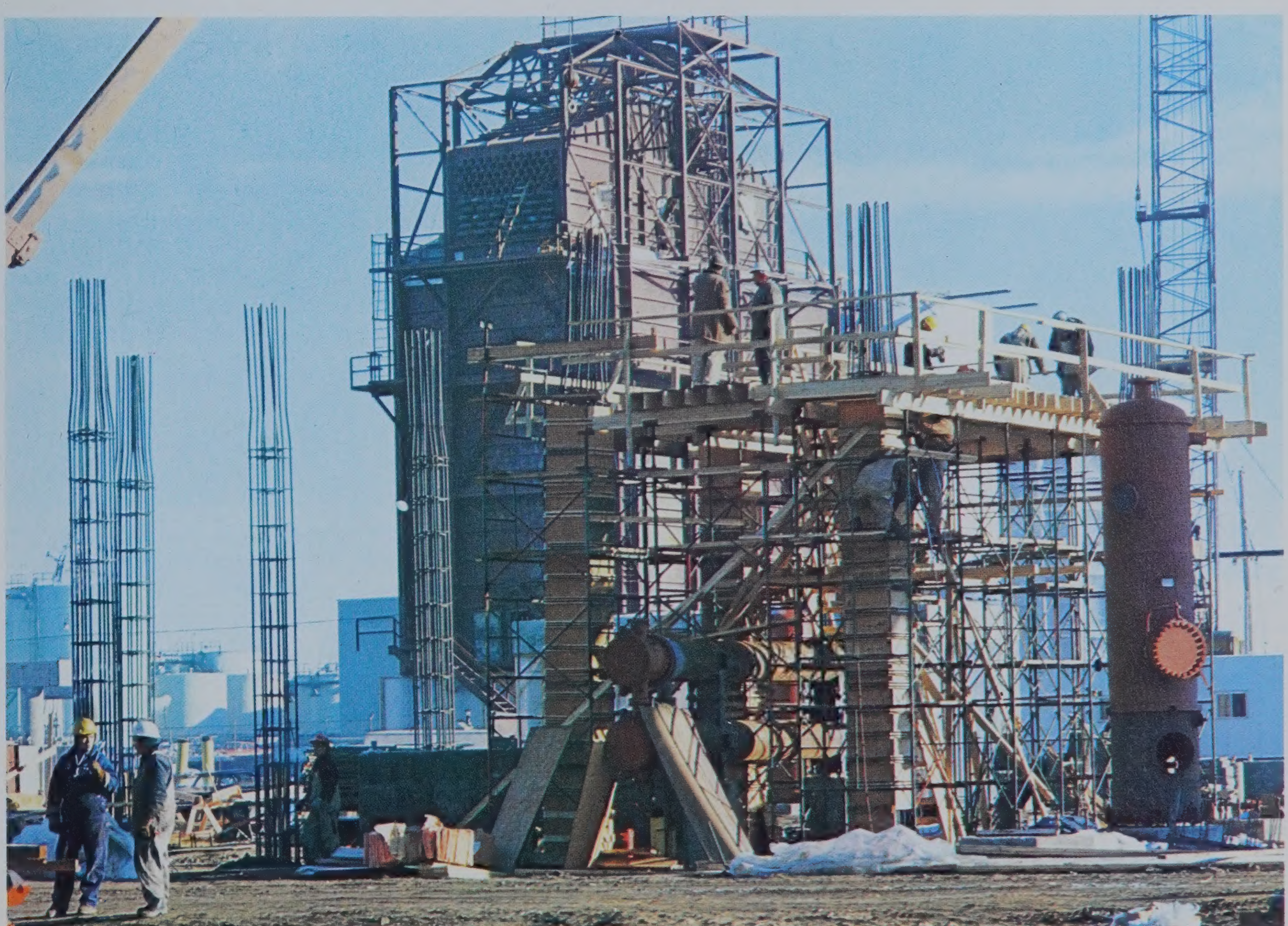
G. M. HENDERSON
General Secretary

Financial and Operating Highlights

Financial	1972	1971
	millions of dollars	
Earnings	151	136
Shareholders' dividends paid	77	77
Revenue from all sources	2,080	1,941
Capital and exploration expenditures	259	161
Taxes charged against income	154	157
Total taxes generated	413	402
	dollars	
Earnings per share	1.17	1.06
Dividends per share	.60	.60
	percentages	
Earnings change from previous year	10.7	30.1
Earnings as a percentage of:		
shareholders' investment	13.9	13.6
capital employed	11.1	10.8

Operating	1972	1971
	thousands of barrels per day	
Petroleum product sales	417	406
Crude oil processed at refineries	399	412
Crude oil and natural gas liquids		
gross production	262	213
net production	224	183
Natural gas sales (millions of cubic feet per day)	425	397
Gross proved reserves*		
crude oil and natural gas liquids (millions of barrels)	1,387	1,489
natural gas (billions of cubic feet)	3,060	3,188

*Excludes Beaufort Basin discoveries



Imperial Oil Limited Annual Report to Shareholders

1972 was a good year for Imperial Oil. Increased production of crude oil and natural gas, firmer product prices in some markets and continued improvements in operating efficiency combined to bring earnings to $151 million, an increase of $15 million over the 1971 figure. The Operations Review beginning on page 10 provides a detailed report on the activities over the year. In assessing the year's operations, several aspects merit special attention. The first of these is Imperial's increased gross production of crude oil and natural gas liquids, which reached 96 million barrels in 1972, an increase of 23 per cent over 1971. This level of production is not just the result of the over-all increase in demand for Canadian crude; it reflects Imperial's earlier assessment of the crude market situation and the large pre-investment the company made to expand field production facilities accordingly. Imperial continued to make substantial investments in these facilities during 1972.

The second is the company's large frontier exploration program, involving multi-million-dollar commitments, not only for materials but for the work of highly skilled personnel. As noted in the ten-year financial and operating summary, the company's exploration expenses in 1972 increased by $27 million over 1971, to $58 million, as exploration operations accelerated. It is encouraging to be able to report that in one of these areas—the Beaufort Basin—the company made further oil and gas discoveries during 1972, and that the industry exploration program in this area is progressing towards the delineation of threshold volumes

From the ice of a frozen harbor on Axel Heiberg Island, above, surveyors take soundings to discover if the water is deep enough for supply ships. Opposite, Imperial's artificial island takes shape in the Beaufort Sea, an innovative solution to the problem of drilling in shallow Arctic waters. It has cost $3 million so far

necessary to justify the investments needed to develop hydrocarbon reserves and to move them to market.

The excitement of frontier exploration activity tends to obscure the large downstream investment programs that are under way and that have important implications for the company's continued success. As Canadian consumption of petroleum products rises, large investments in the most modern and efficient facilities are needed to supply the great variety of fuels, lubricants and specialty products used by industry and the public. To this end new tankers are being built and pipe lines are being

earnings performance during the year. However, in the retail gasoline market, intense competition for a wide spectrum of customer service requirements continued to limit the company's ability to recover escalating costs.

Changes in the retail gasoline market are challenging traditional methods of providing service to the motoring customers. Changing buying patterns clearly indicate that the public wants to purchase gasoline and other products and services from a wide variety of retail facilities ranging from full-service operations to gas bars or self-service outlets offering gasoline at low prices.

enlarged and improved. New manufacturing plants such as Strathcona near Edmonton are under construction and technological improvements and expansion are continuing at existing facilities. Capital expenditures for producing, for the manufacture of petroleum products and chemicals, and for marketing, transportation and other facilities, reached $201 million in 1972. These investments provided jobs—directly and indirectly—for thousands of Canadians.

In the opening paragraph of this report it was stated that firming of product prices in some markets was a factor in the company's

There is still an important place in the market for the full-service type of facility as represented under the Esso sign. However, the company must respond and is responding to the demand for new types of outlets designed to appeal to a growing number of customers whose primary interest is price rather than service. Experiments are also being undertaken in different forms of representation. All these changes are being made in the realization that, although some may be painful for both the company and its dealers, adaptation to change must be made if both are to continue to be

The Imperial Tofino was launched on Jan. 23, 1973. She was built by the shipbuilders of McKenzie Barge & Marine Ways Ltd. in North Vancouver to replace the Imperial Nanaimo and a barge for product deliveries on the Pacific coast. Another tanker is being built at Port Weller Dry Docks Limited in St. Catharines, Ont.

successful in this market. In the long term, it is the customer who dictates the type of service provided—and the customer who benefits from such highly competitive market conditions.

Within the industry, and particularly in Imperial, changes in employee work patterns are continuing. Imperial has a long history of leadership in employee relations—it introduced the eight-hour day to Canada in 1919—and in keeping with this tradition the company has been providing the means for many employee groups to express their preferences on the four-day work week or other departures from conventional work patterns. All the changes appear to be working to the advantage of the employees concerned without affecting operating efficiencies.

Employee involvement in environmental protection was actively solicited in 1972 with a program based on the successful safety campaigns of some years ago. As a result of employee-management effort, Imperial is one of the safest companies to work for in Canada; we intend that its operations also reflect our policy of being among the most environmentally responsible. For many years, projects and programs to control pollution and protect the environment have been an integral part of the company's operations. Imperial's activities in this sphere are described in the Operations Review on page 16 of this report.

Previous annual reports have drawn attention to the fact that the time when the world could enjoy energy at bargain prices was coming to an end. For years a world-wide surplus of crude oil placed a ceiling on energy prices. Today, rising demand, the increasing cost of exploring for new reserves, and increasingly stringent environmental regulations have created strong upward pressures on prices.

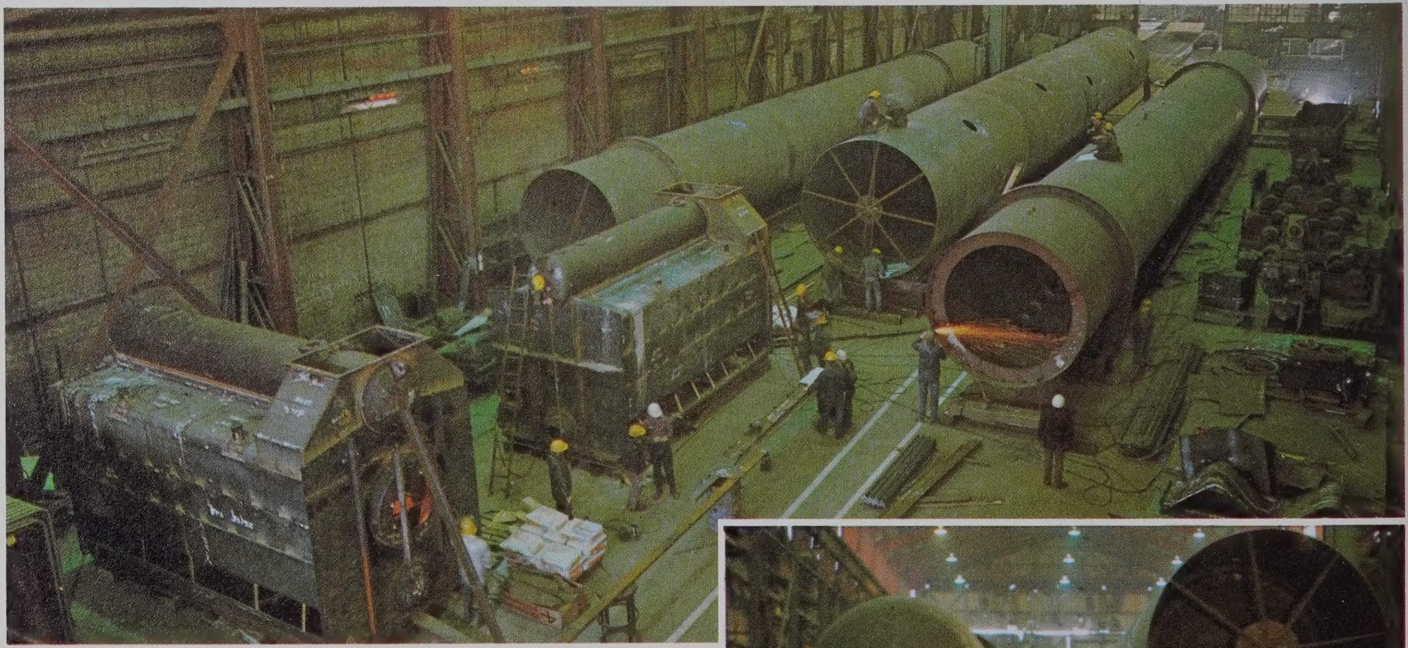
During 1972 world oil prices rose again as, through higher royalties and taxes, the overseas exporting countries further increased the price of the oil they produce. These increased costs have had to be reflected in product prices, but at the same time the increasing world price of energy is giving added impetus to the search for new petroleum reserves and extending that search into areas such as the Canadian Arctic which, historically, have been unable to compete because of the magnitude of exploration and development costs.

Technologically there is every reason to believe the hydrocarbon reserves of Canada's frontier areas can be located in the volumes that will justify their development. However, if these reserves are to play their role in providing Canada with the energy it requires, Canada will have to resolve the debate that came into focus during 1972, which questions the place of resource development in general and of petroleum development in particular in the scheme of Canada's economic priorities. This debate is multi-faceted, and cannot be treated in depth here. However, because of the importance of the debate to the future of Canada, this report would be incomplete if it did not set out some of the major considerations about petroleum resource development that Canadians should bear in mind.

One of the most important of these considerations is the already-demonstrated impetus that petroleum development provides to the growth of the Canadian economy. In view of the important role resource development has played in the history of Canadian economic development, it is surprising that no major study has been completed of the effects of such development on our economy. However, there is the empirical evidence of the effect of the western development in the western provinces and particularly in Alberta. Further, a major study is under way at the University of Toronto. Its findings were not complete as this report went to press, but the work done to date indicates that in terms of employment—both direct and created in other industries—resource industries have about the same impact on the economy as the average of the rest of industry.

At a time when Canada urgently needs developments to stimulate employment, it is only common sense to encourage developments that are economically sound. This is an aspect of petroleum development that should be emphasized. Discouraging investment in resource development will not automatically assure that additional investment will flow to other segments of the economy. Capital goes where it can be employed most profitably and its use is influenced by a number of complex factors, both domestic and international. Investments induced by "hothouse" methods can wither when exposed to the realities of the international trade situation.

Petroleum resource development can attract, on its own, the capital it needs, and with proper co-operation between governments, financial institutions and operating companies concerned,



Work is proceeding on a large number of construction projects, both at the sites and on components being made by other companies. At top, the new refinery at Strathcona, Alta., rises. Above and right, crews at The Toronto Iron Works build vessels for other refineries

this capital can be raised and managed in a way that will not have an adverse effect on the economy.

In the current debate, the export of Canada's energy resources is being questioned; in effect, we are being urged to "bank" our petroleum resources. Canada is not in any way deficient in energy resources. Our present energy reserves, using present technology, are sufficient for our requirements for several hundred years. But this fact alone cannot guarantee that Canada will not face interruptions in energy supply—or assure Canada the most economic development of supply. These reserves must be developed in a systematic way. Exploration success cannot be scheduled. Exploration requires a large staff of highly trained people, and they are extremely mobile; they cannot be recruited easily and built into a functioning scientific group quickly. The background work they do is expensive and time-consuming—and absolutely essential. Without competent men and women who can provide adequate research information, the resources will not be found. And if exploration and development in the Arctic—an area that has such great potential for economic production of energy—is to go forward it must be done on the basis that export markets will also be served, for exploration and development in this high-cost frontier area cannot be justified on the basis of domestic demand alone.

This leads to another aspect of petroleum development that bears on the current debate. Export markets will not wait on our convenience. Hydrocarbons can be secured from other geographic sources, and technology leading to the development of other energy forms is being pursued vigorously. In other words, once lost export markets cannot easily be regained—assuming they can be regained at all—and their loss would be a genuine economic setback for Canada.

Finally, quite aside from all other considerations, Canadians should realize that it is they who own the resources of the Arctic and it is they who will receive the benefit of the many hundreds of millions of dollars their government will receive as royalty and other payments through development of those resources. Some perspective on how much government revenue is generated by successful petroleum development can be gained by an examination of Imperial's financial statements in this report. Taxes, royalties and expenditures for acquisition and retention of exploration rights benefiting governments at all levels amounted to $194 million. This amount does not include gasoline road taxes. In comparison, earnings were $151 million. A table showing the gross revenues generated by the company, and their distribution to governments and shareholders after payment of operating costs, appears below.

Taxes and other revenues generated for governments by Imperial contribute significantly to social progress in Canada. In fact, if this country is to achieve the level of social well-being that Canadians expect, it must have a strong, healthy and expanding economic base. Only such a base can provide the funds to pay the increasing bills that desirable social programs will present.

The petroleum industry has already demonstrated its ability to make a major contribution to Canada's economic base, and this is particularly evident in the development of Western Canada. Clearly, the frontiers offer a new opportunity for progress not only locally, but on a national scale that can benefit all Canadians.

W. O. TWAITS, Chairman and Chief Executive Officer

Gross Revenues Generated by Imperial and their Distribution

	1972	1971
	millions of dollars	
Gross revenues (including taxes collected for governments)	$2,339	$2,186
Operating costs and expenses (excluding taxes and other payments to governments)	1,735	1,615
	604	571
Deduct:		
Provincial road and other taxes	259	245
Income taxes	73	80
Federal sales tax	59	57
Property and other taxes	22	20
Crown royalties and other like payments	40	33
	453	435
Available to shareholders	151	136
Dividends paid	77	77
Retained for use in the business	74	59

Two researchers collect marine shore samples, top of page, as part of an environmental study being conducted at Richards Island in the Mackenzie Delta

Preparing a drilling site on Hooper Island, above, the men lay slabs of insulation to protect the permafrost. Gravel or chipped wood then goes on top

Operations Review

EXPLORATION AND PRODUCTION

Imperial stepped up its search for oil and natural gas in frontier areas during 1972. Attention focused primarily on the Beaufort Basin, a district of the Arctic that includes the West Coastal Plain, the Mackenzie Delta, the Tuktoyaktuk Peninsula, and the Beaufort Sea floor out to a distance of about 100 miles. Exploration was also undertaken in the Arctic Islands and offshore in the Atlantic.

In the Mackenzie Delta, Imperial followed up its 1971 Taglu G-33 gas discovery with two successful gas wells, Taglu P-03 and Taglu C-42. A second gas discovery was made at Mallik L-38, and an oil discovery was made at Ivik J-26. Including the Atkinson and Mayogiak wells on the Tuk Peninsula, the company has to date discovered two gas pools and three oil pools in the Mackenzie Delta and Tuk Peninsula.

An additional rig was moved into the Mackenzie Delta area in the summer of 1972, so that Imperial had six rigs in the district during the winter of 1972-73. One of these was operated for Canadian Industrial Gas & Oil Ltd. in connection with a farm-out on the Tuk Peninsula. In addition, Imperial participated in drilling on lands held jointly with Gulf Oil Canada Limited and Shell Canada Limited. Imperial expects to have either a whole or a part interest in as many as 17 wells in the Beaufort Basin district during the 1972-73 drilling season. Six of them are being drilled under farm-out arrangement—three by Canadian Industrial Gas & Oil Ltd. and one each by Pacific Petroleums Ltd., Union Oil Company of Canada Limited, and Elf Oil Exploration and Production Canada Ltd.

The company has built an artificial island in the shallow waters of the Mackenzie Delta, using dredged material from the sea bottom. Costing $3 million to date, the island is, in essence, an experimental drilling platform. If it stands up over the winter and summer, drilling will be started there in late 1973.

In the Arctic Islands, Imperial completed two wells under a farm-in arrangement with Panarctic Oils Ltd. in 1972, one on Ellef Ringnes Island and one on Devon Island. Both were dry. The company is currently drilling a well at Mokka on Axel Heiberg Island under a farm-in agreement with Panarctic, and is participating in the drilling of a second well with a number of other companies at Depot Point, also on Axel Heiberg Island. Both wells were spudded-in in October, 1972.

Imperial was associated with Amoco Canada Petroleum Company Ltd. in the operation of two semi-submersible drill rigs on the Grand Banks during 1972. Ten wells were drilled, two of which were completed early in 1973. Hydrocarbon shows were encountered at two locations, Heron H-73 and Cormorant K-83, but tests indicated they are non-commercial. Late in 1972 Imperial completed a farm-out agreement that will reduce its interest in its Grand Banks acreage from 50 per cent to 33⅓ per cent. Under the agreement, a third company—Skelly Oil of Canada Ltd.—will participate in the exploration in return for an acreage interest, and Imperial will not be required to make exploration expenditures during the two-year term of the agreement.

Seismic operations were undertaken during the winter of 1971-72 in the Mackenzie Delta, offshore on the ice-covered Beaufort Sea, and in the Lac des Bois area, immediately north of Great Bear Lake. During the summer, seismic programs were conducted in the shallow inshore waters of the Beaufort Sea and in the Atlantic off Nova Scotia, Newfoundland and Labrador. Surveys were carried out in the winter of 1972-73 in the Beaufort Basin, Lac des Bois and Arctic Islands districts.

Imperial reached agreements with Michigan Wisconsin Pipe Line Company and Natural Gas Pipeline Company of America for the sale of up to 10 trillion cubic feet of Arctic natural gas, provided government approvals are granted for construction of a pipe line and export of the gas. As part of the agreement, the two pipe line companies agreed to advance Imperial up to a total of $240 million in interest-free loans to be paid back in stages, most of it over the first five years after deliveries of the gas begin. The first $40 million of the loan will be advanced at the rate of $10 million a year, and the first installment was received in 1972. Delivered price of the gas will start at 32 cents per thousand cubic feet (mcf) and provision is made for price increases over the life of the contract.

In June, Imperial joined Gas Arctic—Northwest Project Study Group, a consortium studying a gas pipe line from Alaska and the Mackenzie Delta to southern markets. The group has formed Canadian Arctic Gas Study

A mini computer monitors loading at the Montreal East marketing terminal, top of page. Above, Imperial products are packaged by employees of Linwo Industries Limited, of Agincourt, Ont., while another firm in Toronto prepares equipment for Imperial car washes, right

Limited to complete the feasibility study of a gas pipe line from the Arctic and to develop a pipe line permit application. Another company, Canadian Arctic Gas Pipe Line Limited, will make the permit application and, if it is granted, build the line in Canada. At the end of 1972, 25 companies were members of the consortium.

Imperial's gross production of crude oil and natural gas liquids totaled 262,000 barrels per day in 1972, an increase of 23 per cent over 1971. This amount represents 14 per cent of industry production. Gross sales of natural gas increased seven per cent to 425 million cubic feet per day in 1972, seven per cent of industry sales.

Imperial's production investments during the year continued to concentrate on expansion of field facilities to enable the company to supply increasing market demand. Major expansions in productive capacity were made at Imperial's plants at Redwater and Golden Spike, and at a jointly owned plant at Judy Creek. A gas conservation plant went on stream at Joffre, Alta. It is 28 per cent Imperial-owned.

A $3 million addition to the company's office building in Calgary was completed in 1972, and Imperial's western producing functions were consolidated into regional headquarters there.

Reflecting forecast growth in long-term energy demands, the company continued experimental work at Cold Lake, Alta., on the production of heavy oil using steam to heat the oil in the reservoir sufficiently to make it flow. A new field pilot plant went into operation in 1972 and is providing useful research information.

Syncrude Canada Ltd., in which Imperial is a 30 per cent participant, received approval from the Alberta Energy Resources Conservation Board in February, 1972, to increase synthetic crude oil capacity at its proposed plant in the Athabasca tar sands area from 80,000 to 125,000 barrels per day. A $1¾ million prototype dragline went into operation in September to test the mining of tar sands, and definitive engineering work is going forward. A decision whether to proceed with a plant, estimated to cost about $650 million, will be made after these studies are complete.

MINERALS

Throughout 1972, Imperial continued its widespread exploration program in search of base metals and uranium. Field crews were active in seven provinces as well as the Northwest Territories. While no commercial ore bodies have yet been identified, several areas have shown encouraging indications of metal and detailed examination of these areas is under way.

TRANSPORTATION

Fast-growing demands for petroleum products in the Canadian Arctic have presented a new challenge to the company. In 1972, Imperial tankers delivered safely a record volume of more than 14 million gallons of fuel products to the supply base at Resolute Bay under some of the worst ice conditions in Arctic commercial history.

Imperial contracted for the construction of two new tankers in 1972. On the west coast, a new 750-deadweight-ton vessel, to be called Imperial Tofino, was launched early in 1973. It replaces two older vessels making small-port deliveries in British Columbia. The second ship is a 12,600-DWT replacement for another older vessel in the Great Lakes trade. This ship, to be called Imperial St. Clair, should be delivered late in 1973. She will be ice-strengthened and thus capable of extending her Great Lakes operating season as well as bolstering, as necessary, the company's Arctic delivery system.

In 1972, a wholly owned subsidiary, The Imperial Pipe Line Company, Limited, increased the capacity of its crude gathering system in Alberta by looping portions of its Leduc district lines. It also purchased an existing 30-mile 16-inch pipe line that runs from Redwater to Edmonton.

PETROLEUM PRODUCTS

Throughput of Imperial refineries averaged 399,000 barrels per day. Capital expenditures on refineries reached $88 million, mainly for projects at Ioco, Edmonton, Sarnia, Montreal East and Dartmouth.

Work on Imperial's new $200 million petroleum supply system on the Prairies is well under way. By year end, engineering was more than 50 per cent complete and a good start had been made on construction. More than 2,000 workers will be employed directly during the peak of construction and additional thousands will be employed in firms providing materials and services. Of the $75 million worth of materials and equipment required, some 80 per cent will be of Canadian manufacture. Focus of the new system is the Strathcona refining complex currently under

Montreal East's $6 million hydrofiner (top left) was completed in 1972, and work reached a peak at the $17 million Sarnia alkylation plant (above and below left). Some equipment for Sarnia was built by Calgary's Exchanger Sales and Services Company, Limited (below)

construction adjacent to the site of Imperial's Edmonton refinery. It will have a crude oil processing capacity of 140,000 barrels per day. Products from Strathcona will move to other Prairie markets through pipe lines to terminals at Calgary, Regina, Winnipeg and Gretna, Man. Construction of the product terminals, which will cost some $30 million, is at varying stages.

A program to place employees affected by these changes in new jobs in other Imperial refineries or other company operations is in progress, and a number of transfers already have taken place.

Work on a $17 million alkylation unit at Imperial's Sarnia refinery, which will produce greater volumes of high-performance gasolines, reached peak of construction late in November, 1972, when some 600 workers were employed on the project. It is expected the plant will be fully operational by mid-1973. Expansion and modernization of the refinery's lubricating oil manufacturing facilities is nearing completion and the facilities are expected to be operational by the second quarter of 1973.

During 1972, Imperial continued to improve its facilities in Quebec. Over the past five years the company has spent $75 million on manufacturing, marketing, distribution and transportation facilities in the province.

In February, 1972, the company announced a $10 million expansion at the Dartmouth refinery. The expansion, which will be completed in 1973, will increase production from 60,000 to 82,000 barrels per day.

Imperial's petroleum product sales increased 3 per cent to 417,000 barrels a day in 1972. During the year, the company continued to diversify its retail facilities in a continuing program devised to meet the needs of Canadian motorists. The number of fast service car washes was increased to more than a hundred.

In London and Edmonton, the company has been testing new service station merchandising approaches. Dealers and company personnel jointly worked out the details of city-wide merchandising offers for gasoline, auto parts and service available at both company-operated and leased service stations in each city. This is only one example of the many techniques evolving in today's intensely competitive gasoline market. Whether by promotion, price discount, or various service packages, the motorist is benefiting from a wide choice. This competition is bringing changes that affect many dealers, particularly in the urban areas where price competition is intense, and these changes, coupled with generally rising costs, pose special problems for them as well as for Imperial.

In the home heating field, Imperial introduced two new plans designed to give home owners total heating security. Called Plus 1 and Plus 2, the plans provide for replacement or repair of furnace parts or, in the case of the Plus 2 plan, the replacement of the entire furnace if necessary.

CHEMICAL AND BUILDING PRODUCTS

Improved operations, greater sales volumes and price increases in some chemical products markets were experienced in 1972. Despite these factors, profit levels in Esso Chemical Canada continued to be depressed by import competition and cost escalation, which have adversely affected the Canadian petrochemical industry.

Total chemical sales for 1972 increased by 13 per cent over 1971. Ethylene production reached a record 425 million pounds, due to the start up of a new gas cracker in Sarnia and improvements in operating efficiency. The Redwater fertilizer plants operated through 1972 above rated capacity with a total production of 575,000 tons. In May, the company initiated a $1.7 million program at Redwater to increase capacity, improve product quality and provide greater environmental protection.

Sales of polyvinyl chloride resins increased 30 per cent in 1972, although product prices were depressed for most of the year by import competition. Improved technology permitted a 20 per cent increase in capacity at the Sarnia polyvinyl chloride plant at low cost. Prices rose at the end of 1972 and, with a stronger market foreseen, Imperial's current plans call for additional expenditures to further increase plant capacity to meet customer requirements.

Poli-Twine Corp. Ltd., Canada's largest synthetic cordage company, announced a $490,000 modernization and expansion program which will double production capacity at its Saskatoon plant to meet market demands. Completion is set for July, 1973.

Building Products of Canada Limited improved its profitability in 1972 through growth in the residential construction market and efficiency improvements. The company decided to begin distributing its products under a new family of trade names, and the first to reach the market, late in 1972, was ESFEN, a lightweight phenolic insulation. Other new

trade marks are ESCLAD vinyl siding, ESGARD roofing, ESTEEM ceiling tiles, ceiling panels and lighting panels, and ESFLO plastic pipe and fittings, conduit and ducting.

RESEARCH AND DEVELOPMENT

At Calgary, Imperial's production research and technical services laboratory assisted with the development of improved drilling and well completion techniques for the Arctic region. In addition to continued work to improve drilling fluids, major effort was directed towards well designs to ensure safe, long-term operations in the region, and to develop reliable offshore drilling systems for the Arctic.

Throughout 1972, Imperial conducted tests in the Winnipeg and Regina refineries on a new reforming catalyst called KX 130, developed by Esso Research and Engineering Company. Results of the tests were so promising that the company has begun a program to switch to the new catalyst in its Powerformer units at Ioco, Sarnia, Montreal East and Dartmouth, and will use it at Strathcona. Use of the catalyst will permit production of higher-quality gasolines with existing equipment and will also provide the ability to meet future quality requirements for Esso gasolines.

Research at Imperial's Sarnia laboratory resulted in the introduction of a number of new products in 1972, among them Essolube XD-3, a multi-purpose crankcase oil introduced in December. This new oil, which can be used in gasoline, diesel, supercharged and other kinds of engines, was extensively field-tested for two years.

In July, the Spartan EP line of industrial gear oils replaced the former Pen-O-Led series with a technically superior product. And in September the company introduced Univis N Arctic, a premium, extremely-low-temperature hydraulic oil formulated for use in sub-zero temperatures.

PROPERTY DEVELOPMENT

Imperial's subsidiary, Devon Estates Limited, began construction in September of a 10-storey office building in mid-town Toronto on a site formerly occupied mainly by an Esso service station. Cost of the building for Devon and its associate in the venture, North American Life Assurance Company, will be about $4 million. Already 56 per cent leased at the end of 1972, the building is scheduled for occupancy in the fall of 1973. Devon is also actively involved in several other real estate developments on land acquired from Imperial. In association with Nu-West Development Corporation Ltd., a Calgary-based residential development firm, Devon Estates is turning 228 acres of former refinery lands in Calgary into a moderate-income housing development which will provide homes for approximately 5,000 people. Devon Estates is also a 50 per cent shareholder in Moraine Properties Ltd., which is developing small neighborhood shopping plazas on several former Esso service station sites in Calgary. The company redevelops only those station sites that lend themselves to more economic forms of commercial development.

As previously reported to shareholders, Hon. Jean Chretien, Minister of Indian Affairs and Northern Development, announced he would not approve the plans of Village Lake Louise Limited for visitor service facilities at Lake Louise in Banff National Park. Imperial entered this venture in response to an invitation from the federal government to develop a plan to meet the service needs of the area. Although the master plan was developed in close consultation with officials of the National and Historic Parks Branch of the department, the minister decided after public hearings on the proposal not to give his approval, and Imperial has decided to withdraw from the venture.

COMPUTER SERVICES AND OPERATIONS

Imperial is one of the largest users of computer facilities in Canada. These systems support a great many of Imperial's operations—they invoice credit card accounts, calculate payrolls, send out dividend cheques, analyse geophysical data, assist in the design of new facilities.

In 1972, the company continued to develop its data communications network. It replaced its two major computers with newer, more powerful units to extend their usefulness. One of these, located in Edmonton, is operated under a lease arrangement, while a second system in Toronto was purchased at a cost of $5 million. At Imperial locations throughout the country, individual computer terminals connected to the larger computers are being put into operation. At Inuvik, N.W.T., for example, a terminal installed in May is connected to Edmonton. It records the inventory of drilling supplies at various northern well sites and ensures better control of operations.

Significant activity is under way to develop more effective business information systems for planning and control. For example, a recently

installed system gathers data from refineries and bulk terminals and transmits it regularly to the computer centre at Toronto. There, it is included with other corporate data for the management of information which permits a close monitoring of the product supply system and a check of the operation's financial performance.

In November, the marketing terminal at Montreal East was placed under the control of a mini computer. An innovation in terminal control, the computer sets the machinery in motion when the trucker places his identifying badge in a slot. It validates his credit, activates the correct product pump, controls the loading procedures, shuts off automatically and presents him with a bill of lading before he leaves.

Computer monitoring and control of Imperial's fleet of 2,500 rented tank cars, which was begun in 1971, was in full operation in 1972, and providing significant improvements in planning and operations. The system provides a daily location check for every tank car in the fleet, pre-plans shipping patterns and tank car requirements, and provides an assessment of how well the operation is working.

ENVIRONMENTAL PROTECTION

As part of its continuing program to minimize the environmental impact of its operations, Imperial spent $36 million on capital projects for environmental protection in 1972. Approximately $10 million was spent to improve the quality of waste water from Imperial facilities and a further $25 million went into projects designed to improve air quality.

Some $27 million of this total was spent on environmental protection facilities at company refineries. At Ioco, $2 million was spent in 1972 in a program that separates contaminated wastes for further treatment, on a sour water stripper to remove traces of sulfides and ammonia from process water, and on a new oil/water separator. The program will continue in 1973 with the addition of a biological oxidation treatment unit, improved ballast handling facilities, the introduction of new equipment and improved methods of handling effluents as well as accidental spills, and a further reduction of sulfur dioxide and hydrocarbon emissions. The estimated cost of the program is $3 million.

At Edmonton, biological oxidation lagoons performed well during 1972. They were put into operation late in 1971 to improve the quality of water returned to the North Saskatchewan River. The new Strathcona refinery will have some $13 million worth of the most modern environmental protection facilities. At Sarnia, an extensive program to reduce refinery emissions to the atmosphere and improve the quality of the water returned to the St. Clair River, which was begun in 1969, was continued in 1972. This program is expected to be completed in 1975 at a total cost in excess of $12 million.

At Montreal East, a $6 million hydrogen-treating unit for sulfur removal was completed, and at Dartmouth, N.S., a $3.5 million hydrogen-treating unit went on stream in December, which further reduced sulfur emissions from products.

Techniques have been developed to reduce evaporative emissions from storage and loading operations. Gasoline storage tanks are being provided with internal floating covers to reduce emissions by as much as 90 per cent. Imperial has also developed methods of loading tank trucks and tank cars that reduce emissions from these sources by 50 per cent to 75 per cent.

In 1972, the company spent approximately $1 million either directly or with other companies on Arctic environmental research. The cost of one Imperial project, an environmental impact assessment of gas production in the Taglu-Richards Island area, exceeded $400,000 in 1972, and the project will continue in 1973. A further $120,000 was spent by the company on an environmental study related to the construction of an artificial island in the Beaufort Sea.

Imperial's production research and technical services laboratory in Calgary worked in close association with Mackenzie Valley Pipe Line Research Limited evaluating information obtained from the experimental installation at Inuvik toward the design of an environmentally compatible oil pipe line.

Besides these large "visible" expenditures, Imperial continued an often unseen daily battle to protect the environment. The day-to-day operating costs attributable to environmental protection came to $7 million in 1972. In addition, a major communications program was instituted to instill in all employees a commitment to environmental protection in the daily conduct of their work and in the planning of company activities. The program will be extended to include dealers and agents as well.

Active participation in groups such as the Arctic Petroleum Operators' Association, the Petroleum Association for Conservation of the Canadian Environment and Canadian Arctic Gas Study Limited, as well as in local, regional and national oil spill co-operatives, has allowed Imperial to contribute to and benefit from the latest developments in environmental protection and to continue to develop an effective environmental control program.

EMPLOYEE RELATIONS

Imperial has been a leading company in employment practices for many years, and changes continued to be made at various locations in 1972, particularly in the altered work week.

Where a significant majority of employees in a work unit have requested changes in working hours that did not impair operating efficiency, the company has accommodated the changes. Employees at Imperial's eastern region comptroller's office in Don Mills were one such group; they completed their switch to the four-day week in March.

In May, process unit operators at Imperial's Dartmouth refinery initiated a 12-hour shift experiment and in September, the pilot plant staff of the research department at Sarnia began 12-hour shifts. Employees in the Edmonton office of the transportation department went on a four-day week starting in October, which allows them two three-day weekends over a five-week cycle. Other units of the company have expressed varying degrees of interest in the altered work week, and some have it under active study.

The company began an experiment in flexible work hours with employees in the systems and computer services department at the head office in Toronto. The trial, which began in December, lets employees start work any time between 7:30 a.m. and 10 a.m. and stop work any time between 3:30 p.m. and 6 p.m. Employees must be at work during the core period from 10 to 3:30 p.m. and must work their normal number of hours per week.

In December, Imperial announced pension adjustments for some 2,700 of its annuitants who retired before Jan. 1, 1972. The plan, designed to provide some measure of relief from inflationary factors affecting fixed-income annuitants, went into effect Jan. 1, 1973. Annuitants receive pension supplements based on the length of time they have been retired.

Another side of Imperial

The first responsibility of any company is to provide the goods and services people need. But there is more to the relationship between a company and society than that.

For many years large corporations have made it a point to contribute to social goals that appear to have little or nothing directly to do with their business. Yet a connection exists, for as society progresses, so do the companies that form part of it.

Imperial Oil is no exception. This company has a long history of support for education, of donations to charity, of encouraging artists — the sort of things that identify a responsible corporate citizen. But Imperial's real social role is the one it plays every day in the highly specialized area of Canadian life where it is most qualified to act — the energy area. Canadians shouldn't look to Imperial to fill their lives with joy and laughter, but they can rightfully expect the company to keep their furnace fires burning. And that, on a cold winter evening, is a social good all by itself.

Imperial Oil Limited is chartered in Canada to search for, find, produce and transport crude hydrocarbons; to manufacture petroleum products and to market them. The company has been doing this diligently since its founding in London, Ont., 92 years ago. During those years Imperial has become a fixture of Canadian life; it operates in every part of the country, and its day-to-day activities have affected the lives of Canadians — and been affected by them in turn. Imperial Oil contributes to Canada's prosperity by supplying energy and chemicals, and by creating jobs not only for its own employees but for others through the multiplying effect of its purchases of materials and services for Imperial's operations and projects.

In many cases the work that Imperial does has effects that go beyond the activities of business to achieve social goals as well. In a corporation like Imperial Oil the social effects often can't be separated from the business activities.

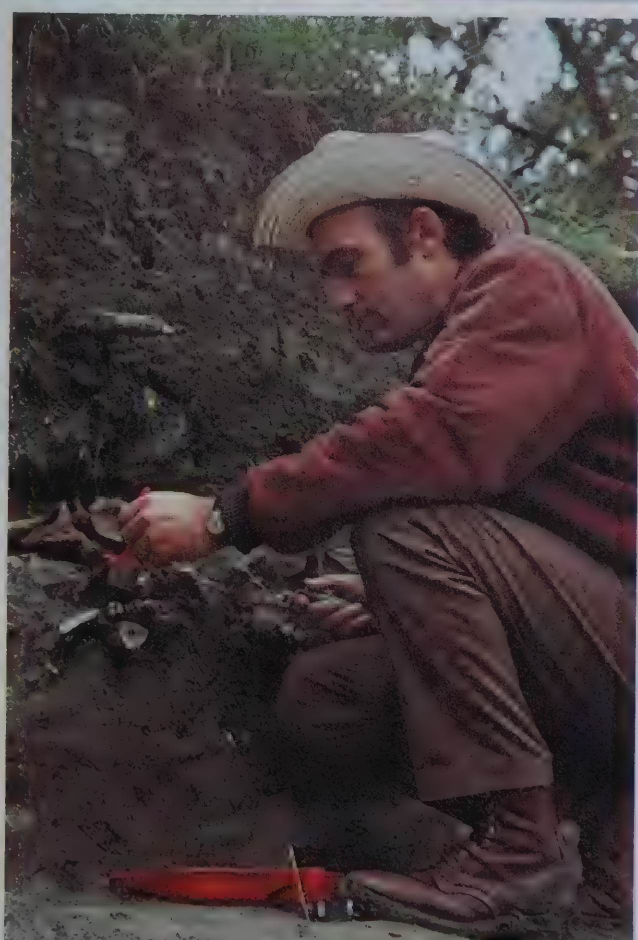
Take summer jobs for students, for example. This is a matter of such widespread concern that governments at both the provincial and federal levels have created programs to provide work for students. Many students, however, get their own jobs and every year a good 500 of them spend the summer working for Imperial. Imperial needs those people to do work the company needs to have done as part of its regular business. The social effect comes along unbidden: the students earn their tuition, Imperial gets its work done. Recently, conditions have called for more than this, and in the last two years Imperial has responded with a special program of grants for students working on summer projects related to their studies. The grants, offering $250,000 per year, are administered by the provincial and territorial governments. The program will continue in 1973.

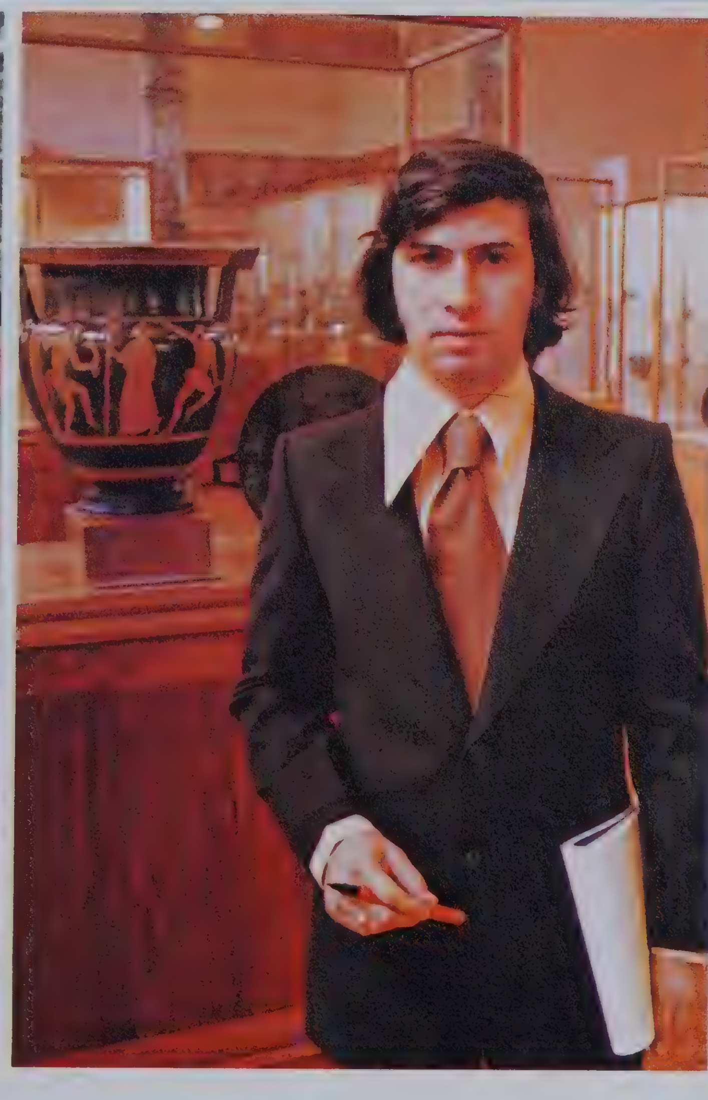
The pictures on these pages show some of the social aspects of Imperal's everyday operations. They demonstrate how closely Imperial is woven into the fabric of this country. And that it's possible to be a good neighbour while tending to your own affairs.

Using grants supplied by Imperial Oil and administered by governments, students helped restore historic buildings in Quebec City's Place Royale last summer. This special program enters its third year in 1973, offering $250,000 annually in grants for projects across Canada. At bottom, a helicopter brings students to their summer jobs with Imperial at a minerals exploration camp near Campbell River on Vancouver Island

Imperial supports the study of oil's effect on lobsters by Peter Wells (below left) and Dr. J. B. Sprague at the University of Guelph. Bottom left, Imperial's Eric Musgrave sits as a Calgary Alderman. Dr. J. H. Milsum, lower right, holder of The Imperial Oil Chair of General Systems at the University of British Columbia, is applying systems research methods to the problem of providing community health care

Prof. J. G. Goodale of York University (below right) is working on an Imperial-sponsored study into the quality of life in organizations. Bottom left, E. Leigh Symes is using his Imperial Oil Graduate Fellowship to study the prehistoric people of Manitoba, while Ian Storey, bottom right, uses his fellowship to study classical drama. Imperial has granted 125 fellowships since 1946; they are now worth $12,000 each





Paid by an Imperial Oil grant administered by the Ontario government, Valerie Whetung, below, spent last summer setting up a crafts shop at the province's Curve Lake Indian reservation. At the bottom of the page a portion of the Imperial Oil Collection of Canadian art is shown hanging at the Kitchener-Waterloo Art Gallery. Paintings and sculpture from the collection are available on request to galleries

Imperial Oil Limited
and Subsidiary Companies

Consolidated Financial Statements

For the years 1972 and 1971 together with Ten Year Financial and Operating Summary

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Auditors' Report

To the shareholders of IMPERIAL OIL LIMITED

We have examined the Consolidated Statement of Financial Position of Imperial Oil Limited and its subsidiary companies as at December 31, 1972 and the Consolidated Statements of Earnings and Source and Use of Funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants
Toronto
March 13, 1973

Imperial Oil Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEARS 1972 AND 1971	1972	1971
	millions of dollars	
Revenues		
Petroleum products	$1,094	1,022
Crude oil and natural gas (including sale of purchased crude: 1972 – $678; 1971 – $631)	699	650
Chemical and building products	155	145
Other products and merchandise	70	65
Other operating revenues	27	25
Investment and other income	35	34
	$2,080	1,941
Expenses		
Crude oil, products and merchandise purchases	$1,164	1,115
Operating and exploration expenses	263	213
Selling and administrative expenses	264	234
Depreciation and amortization	69	74
Income taxes (Note 4)	73	80
Taxes other than income taxes	81	77
Interest and discount on long-term debt	15	12
	$1,929	1,805
Earnings for the year	$ 151	136
per share	$ 1.17	1.06

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEARS 1972 AND 1971	1972	1971
	millions of dollars	
Source of Funds		
Funds from operations (earnings plus depreciation, amortization and deferred income taxes)	$ 246	221
Debentures issued and other long-term debt	60	—
Capital stock issued	7	8
Sales of property, plant and equipment	11	9
Decrease in other assets	10	2
	$ 334	240
Use of Funds		
Capital expenditures for property, plant and equipment	$ 201	130
Dividends paid	77	77
Reduction of long-term debt	5	7
	$ 283	214
Increase in Working Capital	$ 51	26

The Notes to the Financial Statements are a part of these statements.

Imperial Oil Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1972 AND 1971		1972	1971
		millions of dollars	
ASSETS			
Current Assets			
Cash, including time deposits	$	67	78
Marketable securities, at the lower of cost and market		23	8
Accounts receivable		376	343
Inventories:			
Crude oil, products and merchandise		161	171
Materials and supplies		24	18
Prepaid expenses		7	7
Total current assets	$	658	625
Property, Plant and Equipment at cost, less accumulated depreciation and amortization (Note 3)		1,043	922
Long-Term Accounts Receivable, Investments and Other Assets (Note 1)		90	101
Total Assets	$	1,791	1,648
LIABILITIES AND DEFERRED CREDITS			
Current Liabilities			
Bank loan	$	—	5
Short-term notes		18	43
Accounts payable and accrued liabilities		244	200
Income and other taxes payable		7	39
Total current liabilities	$	269	287
Long-Term Debt (Note 2)		221	166
Employee Annuity and Contingent Obligations		12	13
Deferred Income Taxes (Note 4)		170	144
Total Liabilities and Deferred Credits	$	672	610
SHAREHOLDERS' INVESTMENT			
Capital Stock (Note 5)			
Authorized — 160,000,000 shares of no par value			
Issued 1972 — 129,520,215 shares: 1971 — 129,104,873 shares	$	275	268
Earnings Retained and Used in the Business			
At beginning of year	$	770	711
Earnings for the year		151	136
Dividends paid		(77)	(77)
At end of year	$	844	770
Total Shareholders' Investment	$	1,119	1,038

The Notes to the Financial Statements are a part of this statement.

Approved by the Board.

W. O. Twaits J. A. Armstrong

Imperial Oil Limited and Subsidiary Companies

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Imperial Oil Limited and its subsidiary companies, all of which are wholly owned. Investments in other companies are carried at cost and income is recorded only as dividends are declared.

Depreciation and Amortization

Depreciation of plant and equipment is based on the estimated service lives of the assets, calculated on the straight-line method. Amortization of producing well costs and of capitalized producing lease costs is determined on the unit-of-production method.

Exploration

Exploration expenditures including costs of acquisition and retention of exploration acreage, geological and geophysical surveys, and unsuccessful drilling are charged against current earnings except to the extent they relate to the acquisition of acreage expected to be productive, based on the companies' past experience.

Inventories

Inventories are priced generally at the lower of average annual cost and net realizable value.

Income Taxes

Some costs and revenues may by law be deducted or added in calculating taxable income in years later or earlier than actually recorded in the financial statements. Income taxes charged to earnings are calculated using the costs and revenues actually recorded. This causes differences between taxes actually paid and those charged to earnings. In the long run these balance out but year by year there are differences. These differences are shown in the Statement of Financial Position as Deferred Income Taxes.

The companies follow the foregoing policy for all such differences except for the effect of producing well costs for which deferred income taxes are not generally recorded in the oil and gas industry.

1. Long-Term Accounts Receivable, Investments and Other Assets

			1972	1971
			millions of dollars	
Long-term accounts receivable			$56	64
Investment in other companies, at cost:				
With quoted market value	1972	1971	16	16
	$260	262		
Without quoted market value			9	9
Funds on deposit with governments and others			5	9
Deferred charges			4	3
			$90	101

2. Long-Term Debt

	1972	1971
	millions of dollars	
Imperial Oil Limited		
3⅝% Sinking Fund Debentures, 1955 Issue, maturing February 1, 1975	$ 23	23
6¾% Sinking Fund Debentures, 1967 Issue, maturing January 2, 1987	42	45
7¼% Serial Debentures, 1968 Issue, maturing January 2, 1976	8	10
7⅜% Sinking Fund Debentures, 1968 Issue, maturing January 2, 1988	40	40
8½% Sinking Fund Debentures, 1969 Issue, maturing August 15, 1989 This issue is subject to the holders' option to require prepayment of principal on August 15, 1974.	50	50
6⅞% Serial Debentures, 1972 Issue, maturing February 15, 1981	15	—
7¾% Sinking Fund Debentures, 1972 Issue, maturing February 15, 1992	35	—
Interest-free loans repayable in U.S. funds not later than May 1, 1987	10	—
	$223	168
Amount due within one year	2	2
	$221	166

Sinking fund and maturity payments required in the next five years on the above debentures are $2 million in 1973, $7 million in 1974, $27 million in 1975, $10 million in 1976 and $10 million in 1977.

3. Property, Plant and Equipment

	1972	1971	1972	1971
	Cost		Accumulated depreciation and amortization	
	millions of dollars			
Exploration and production	$ 590	542	235	223
Refining petroleum products	558	471	296	282
Chemical and building products	187	186	92	84
Marketing	366	345	141	129
Transportation	159	148	78	75
Other	37	34	12	11
Total	$1,897	1,726	854	804
Net investment	$1,043	922		

The charge against earnings in 1972 for amortization of producing well costs and capitalized producing lease costs amounted to $9 million and the accumulated provision at December 31, 1972 amounted to $140 million.

4. Income Taxes

Deferred income taxes were recorded in the amount of $26 million in 1972 and $11 million in 1971. The accumulated amount of deferred income taxes in respect of producing well costs, for which tax allocation is not followed, would have been $41 million at December 31, 1972; the effect on earnings and deferred income taxes in this regard in 1972 and 1971 was not significant.

During 1972 the earlier assessment of $4 million of income taxes on the gain realized in 1963 on the disposal of natural gas storage rights and facilities was resolved in the company's favor.

The operations of the companies are complex and the related income tax interpretations, regulations and legislation are continually changing. As a result, there are usually some tax matters in question. The companies have made what they believe are adequate provisions for income taxes payable.

5. Capital Stock

Under the company's 1959 and 1965 Incentive Stock Option Plans employees may be granted options to purchase unissued common shares of the company at not less than 95 per cent and under the 1970 plan at not less than 90 per cent of the market price on the date of granting the options. As of December 31, 1972, there were outstanding options to purchase shares at prices ranging from $10.77 to $33.90. Options for 660,857 shares may be exercised currently, for 160,795 shares after July 14, 1973, for 164,374 shares after July 15, 1973, and for 160,795 shares after July 14, 1974. Included in the above are 344,809 shares under option to directors and officers. In 1972 the company issued 415,342 shares for $6,862,000 all under the terms of the plans.

6. Amounts Owing to and from Affiliated Companies

Amounts owing to and from affiliated companies, all of which arose in the normal course of operations, were $32 million and $1 million respectively at December 31, 1972. ($26 million and $5 million respectively at December 31, 1971.)

7. Employee Retirement Plans

The companies have a number of retirement plans covering substantially all employees. The principal plan was revised November 1, 1971, to provide for improved benefits. An actuarial valuation made as of December 31, 1971, estimated that resulting from this revision an additional funding of some $27 million was required. The companies are providing for this on the basis of equal annual payments to the trustees over the years 1972 to 1989. It is the companies' practice to obtain an actuarial valuation of the plans every three years.

8. Remuneration of Directors and Officers

The aggregate remuneration of the nine directors of the company when serving as both directors and officers in 1972 was $1,017,000, and of the eight officers when serving only as officers was $409,000. All directors and officers are full-time employees of the company.

9. Contingencies and Commitments

The company is constructing a new product supply system for the Prairies estimated to cost more than $200 million, the major portion of which is for the new refinery at Strathcona near Edmonton.

The company has guaranteed or otherwise agreed to protect obligations of others in the aggregate principal amount of $13 million. Rentals and commitments payable by the companies under long-term agreements approximate $14 million annually.

Imperial Oil Limited and Subsidiary Companies

TEN YEAR FINANCIAL AND OPERATING SUMMARY (dollars in millions except per-share and per-employee amounts)

Revenues / Earnings

YEAR	Revenues: Petroleum products	Crude oil and natural gas	Chemical and building products	Other products and merchandise	Other operating revenues	Total operating revenues	Investment and other income	Total revenues	Earnings: Total	Per share*	T
1972	$1,094	$699	$155	$70	$27	$2,045	$35	$2,080	$151	$1.17	$
1971	1,022	650	145	65	25	1,907	34	1,941	136	1.06	
1970	924	534	131	63	28	1,680	31	1,711	105	.82	
1969	877	437	123	59	15	1,511	25	1,536	94	.73	
1968	857	389	115	56	15	1,432	23	1,455	100	.78	
1967	817	321	107	46	8	1,299	20	1,319	96	.75	
1966	784	257	96	39	7	1,183	18	1,201	92	.73	
1965	773	247	85	34	6	1,145	17	1,162	86	.68	
1964	731	231	65	33	5	1,065	16	1,081	79	.62	
1963	702	226	37	30	6	1,001	14	1,015	71	.56	

Taxes / Financial Position at Year End

YEAR	Taxes: Income taxes	Federal sales tax	Property and other taxes	Total charged against income	Road and other taxes	Total taxes generated	Financial Position: Current assets	Current liabilities	Current ratio	Working capital	Property plant an equipme net
1972	$73	$59	$22	$154	$259	$413	$658	$269	2.4	$389	$1,04
1971	80	57	20	157	245	402	625	287	2.2	338	92
1970	58	52	19	129	239	368	577	265	2.2	312	87
1969	50	52	18	120	233	353	517	216	2.4	301	85
1968	49	49	17	115	221	336	498	245	2.0	253	81
1967	54	47	16	117	196	313	449	175	2.6	274	71
1966	44	43	16	103	197	300	393	143	2.7	250	64
1965	41	40	14	95	184	279	402	130	3.1	272	59
1964	37	36	14	87	164	251	380	116	3.3	264	56
1963	40	27	12	79	148	227	389	125	3.1	264	54

Exploration and Production / Crude Supply a

YEAR	Gross land holdings (millions of acres)	Net wells drilled: exploratory	Net wells drilled: development	GROSS PROVED RESERVES**: Crude oil and natural gas liquids (millions of bbls.)	GROSS PROVED RESERVES**: Natural gas (billions of cubic feet)	GROSS PRODUCTION CRUDE OIL AND NATURAL GAS LIQUIDS (thousands of bbls. per day)	NATURAL GAS SALES (millions of cubic feet per day)	Crude Supply: Net production	Purchas from others
1972	88	20	43	1,387	3,060	262	425	224	626
1971	87	12	32	1,489	3,188	213	397	183	636
1970	64	23	27	1,567	3,328	199	372	170	589
1969	45	54	31	1,702	3,340	179	350	154	500
1968	46	90	54	1,593	3,117	173	336	150	443
1967	45	64	71	1,517	2,860	163	301	141	386
1966	50	81	87	1,534	2,964	146	239	127	339
1965	51	66	136	1,522	2,706	133	180	115	335
1964	32	84	116	1,437	2,620	131	166	114	305
1963	22	72	137	1,264	2,285	126	151	109	304

*Weighted average
**Excludes Beaufort Basin discoveries, for which no proved reserves were booked

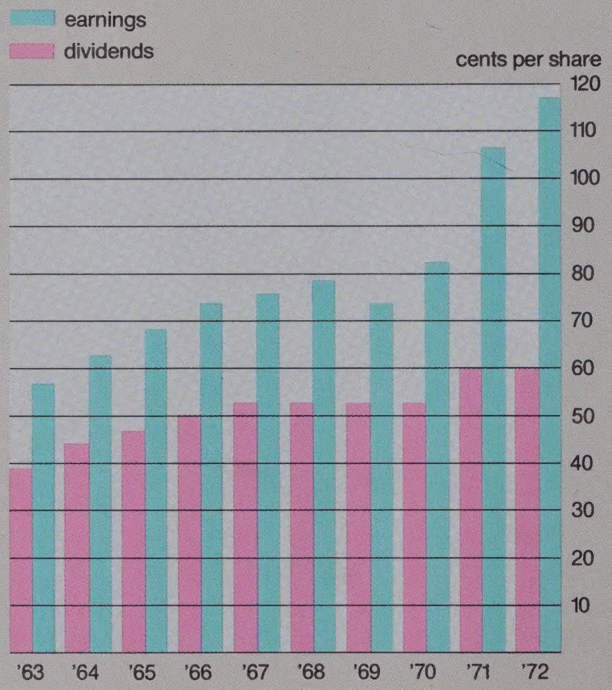
ividends		Funds from Operations		Capital and Exploration Expenditures								
As a percentage of earnings	Per share	Total	Per share*	Exploration and production	Refining petroleum products	Chemical and building products	Marketing	Transportation and other	Total capital	Exploration charged against income	YEAR
51%	$.60	$246	$1.91	$58	$88	$ 6	$27	$22	$201	$58	1972
57	.60	221	1.72	57	35	5	24	9	130	31	1971
65	.52½	178	1.38	34	13	5	34	8	94	28	1970
72	.52½	172	1.33	24	20	17	38	10	109	25	1969
67	.52½	170	1.33	29	38	46	29	14	156	32	1968
70	.52½	160	1.26	24	37	22	34	12	129	36	1967
69	.50	149	1.17	25	25	22	19	12	103	37	1966
68	.46¼	145	1.15	41	9	9	18	9	86	30	1965
70	.43¾	135	1.06	33	6	17	11	5	72	28	1964
69	.38¾	118	.93	28	6	1	11	7	53	28	1963

					Shareholders		Employees			
								PAYROLL AND BENEFITS		
apital ployed	Total assets	Long-term debt	Shareholders' investment	Earnings as % of shareholders' investment*	Number Dec. 31	Shares issued Dec. 31 (thousands)	Number Dec. 31	Total	Per employee*	YEAR
,522	$1,791	$221	$1,119	13.9%	44,171	129,520	15,549	$201	$13,000	1972
,361	1,648	166	1,038	13.6	46,188	129,105	15,019	190	12,200	1971
,290	1,555	173	971	11.0	52,934	128,594	15,543	176	11,200	1970
,251	1,467	178	933	10.2	50,188	128,528	15,516	162	10,500	1969
,152	1,397	128	906	11.3	37,780	128,437	15,164	150	9,900	1968
,073	1,248	102	870	11.2	39,578	128,202	14,933	136	9,100	1967
974	1,117	56	830	11.3	41,088	127,167	14,289	125	8,800	1966
937	1,067	58	798	11.0	41,208	126,885	13,693	111	8,100	1965
904	1,021	64	769	10.4	40,924	126,674	13,623	104	8,000	1964
877	1,002	69	743	9.7	42,057	126,443	11,998	95	7,800	1963

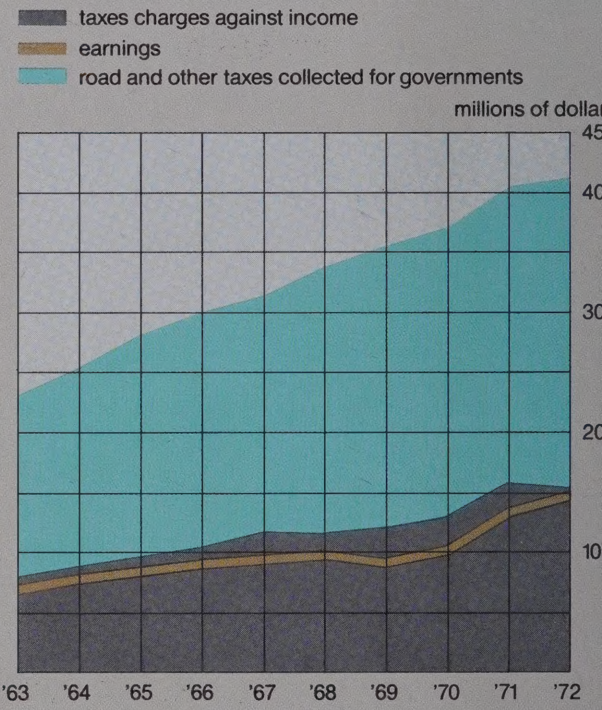
tilization — thousands of barrels per day					Petroleum Products — thousands of barrels per day						
ANADIAN CRUDE			IMPORTED CRUDE				SALES				
mestic sales	Export sales	Used in Imperial refineries	Purchased for Imperial refineries	Total crude purchases	Crude processed	Refinery capacity Dec. 31	Gasolines	Middle distillates	Other products	Total	YEAR
319	288	243	156	782	399	469	158	160	99	417	1972
337	229	253	159	795	412	447	159	149	98	406	1971
304	203	252	154	743	406	431	153	151	96	400	1970
255	162	237	140	640	377	422	151	143	87	381	1969
225	145	223	136	579	359	405	145	142	91	378	1968
176	131	220	130	516	350	397	141	138	87	366	1967
153	94	219	127	466	346	378	136	134	82	352	1966
158	82	210	122	457	332	370	128	134	83	345	1965
149	77	193	121	426	314	355	124	125	73	322	1964
148	74	191	128	432	319	345	120	121	68	309	1963

Financial and Operating Trends 1963-1972

Earnings and dividends per share

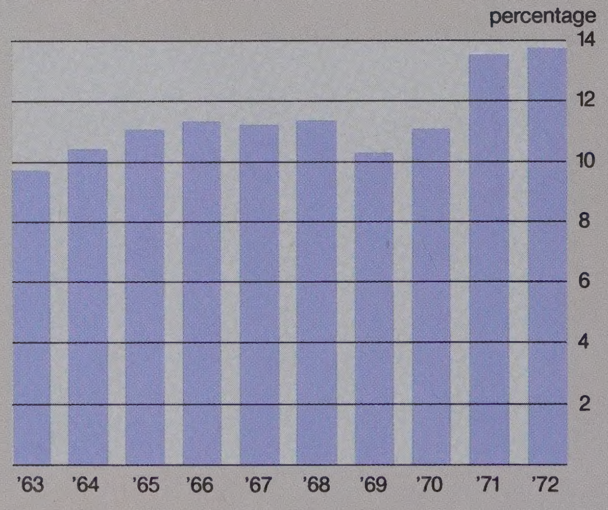


Earnings compared with taxes*

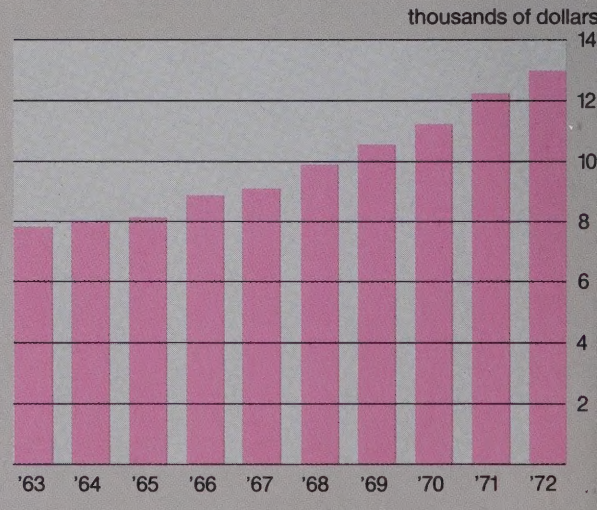


*In addition the company paid $40 million to governments for oil and gas royalties and to acquire and retain exploration rights

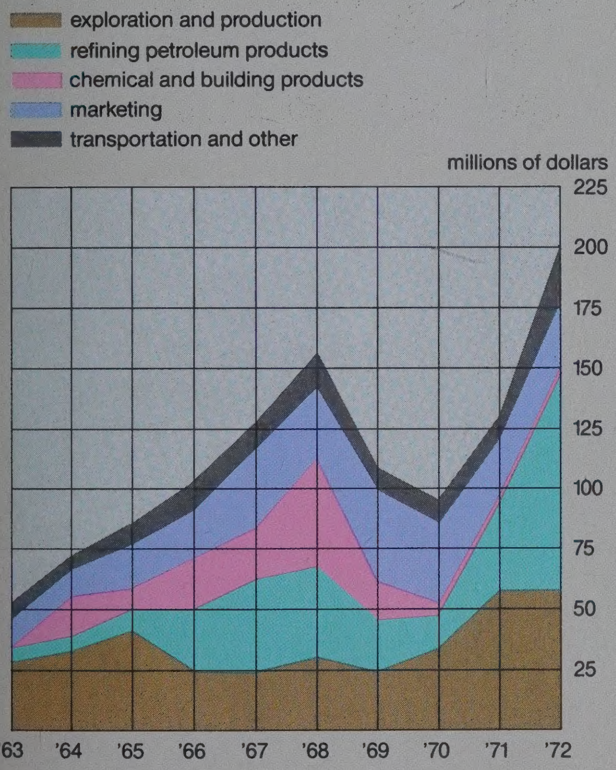
Earnings as a percentage of shareholders investment



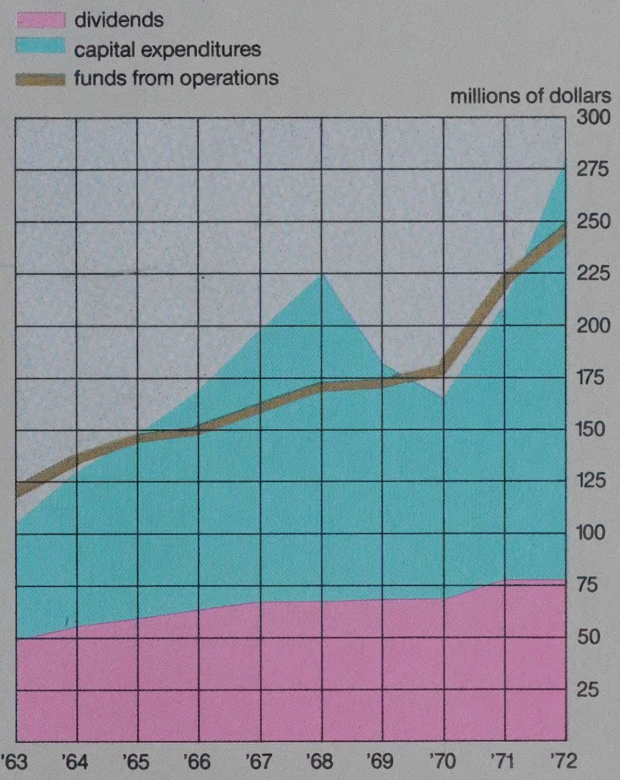
Salaries, wages and benefits per employee



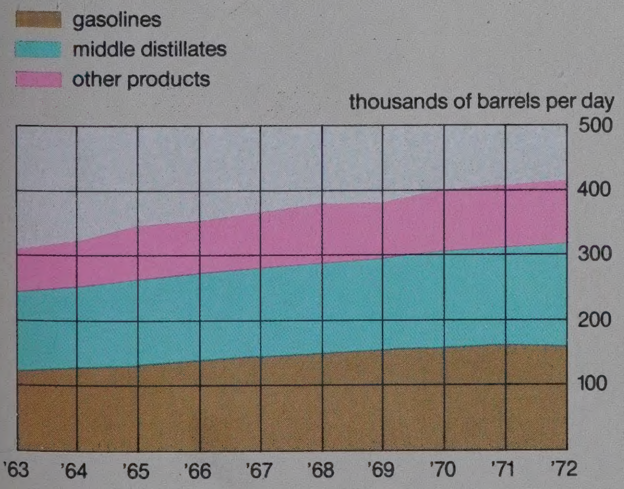
Capital expenditures



Funds from operations compared with dividends and capital expenditures

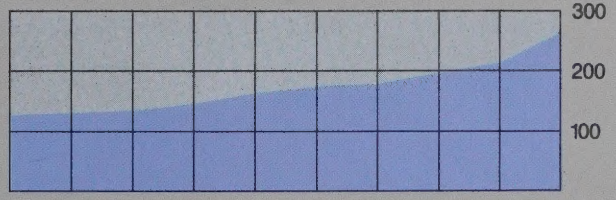


Petroleum product sales



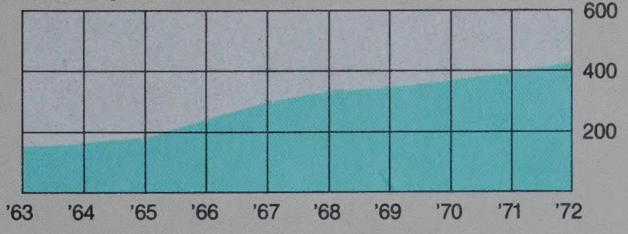
Gross production of crude oil and natural gas liquids

thousands of barrels per day



Natural gas sales

millions of cubic feet per day



Le rapport annuel de l'Imperial Oil est publié en français et en anglais. Si vous préférez le recevoir en français de même que les autres communications à l'intention des actionnaires, veuillez en faire part par écrit à la Division des affaires des actionnaires, Imperial Oil Limited, case postale 4029, Toronto, Ontario M5W 1K3

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